Services. The Director of the Office of Competition will set and update the basic requirements for comparative data and minimum criteria. They will also work out a formula to pay for value. High quality plans will get paid slightly more than low quality plans.

The Director will draw on the expertise already developed by large private purchasers and coordinate with them in improving the purchasing requirements over time.

The stakes are high. This year over $1 trillion, almost one-seventh of the economy, will go toward health care services. Purchasers, both private and public, need to demand quality from the health care marketplace. Today you can identify a good stereo, a good car, or a good shampoo. But, you can't get the most basic information about the quality of your healthcare. That lack of information on health care quality is no longer acceptable, it can be fixed, and the Government should join the best corporate purchasers in the repair effort.

I am deeply concerned about one aspect of the Medicare package that is included in this budget reconciliation bill. The Senate Finance Committee has enacted a series of reforms that would dramatically change the methodology by which payments are made to Medicare managed care plans as well as the new plans envisioned in the bill. This new payment structure would result in a redistribution of Medicare resources that is very beneficial to areas that have low health care costs and very damaging to areas where the delivery of health care services is much more costly.

In my home State of Connecticut, seniors in four of our eight counties would suffer from Medicare managed care payments that, under this bill, would decline by more than 20 percent relative to current law. Don't misunderstand—I support actions to keep the Medicare trust fund solvent. But these reformulations don't just produce savings—they fundamentally shift expenditures from high cost to low cost areas. In one Connecticut county, this legislation would extract 57 times more savings from seniors enrolled in managed care than would the House Ways and Means Committee bill, which achieves similar savings. These are sobering figures—and they do not even take into account the impact of the bill's risk adjustment mechanism, which would automatically reduce Medicare payments by an additional 5 percent for all new managed care enrollees in their first year of enrollment.

This legislation over-reaches in seeking to achieve a greater measure of geographic equity in the Medicare payment system. Instead of making the modest adjustments that are needed to improve the fairness of the current system, this bill calls for sweeping reforms that would disrupt the coverage of many seniors in order to help others.

Tragically, many of those who would be hurt the most are low-income seniors who already have selected Medicare managed care plans because they need the additional benefits—such as prescription drug coverage, and dental and vision care—and the low out-of-pocket costs that many of these plans offer. These low-income seniors cannot afford to expose themselves to the high deductibles and copayments of the Medicare fee-for-service system, nor can they afford to purchase an expensive supplemental Medigap policy.

As I consider this issue, I think about the many areas in Connecticut that have suffered from economic downturns in recent years and, even today, are not enjoying the strong economic growth that is evident throughout much of the country. Seniors in these areas are particularly vulnerable. Considering that a disproportionate number of Medicare managed care enrollees are low-income seniors, I believe we should proceed carefully as we contemplate reforms that affect their coverage. For many of these seniors, a reduction in their Medicare benefits would cause severe financial hardship.

I want to emphasize that I have no desire to be involved in any contest that pits the Medicare beneficiaries of Connecticut against those of Iowa, Nebraska or any other State. I completely support the expansion of new health care choices to all seniors, regardless of where they live. I am convinced, however, that this can be accomplished without awarding 60-percent payment increases for certain low-cost areas—many of which tend to be sparsely populated—at the expense of other areas where large numbers of seniors are already enrolled in private health plan options. The number of seniors who would be penalized by this shortsighted approach far exceeds the number who would benefit.

I strongly believe that a more cautious, thoughtful approach is warranted. For example, a 70/30 blend between local and national payment rates would go a long ways toward eliminating the disparities that currently exist—without causing massive cuts in certain areas. In addition, a minimum annual update for all plans, combined with some kind of link between growth in fee-for-service spending and managed care spending, would help to assure that the resources available to Medicare managed care plans do not fall hopelessly behind the growth in medical inflation. It is totally unrealistic to think that we can allow payments to decrease in certain areas—while actual costs are increasing by 5 or 6 percent annually—without having any adverse affect on seniors.

As we move forward with Medicare reform, we need to acknowledge that it is, in fact, more costly to serve Medicare beneficiaries in some areas of the country than others. There are legitimate reasons why it costs more to deliver health care services in densely populated urban areas. The wages of medical personnel and the capital costs of medical facilities differ considerably from region to region and from State to State. Even within individual States, medical costs vary from county to county. To discount this economic reality, as this legislation does, is sheer folly.

Perhaps the most troublesome component of this Medicare payment proposal is the new enrollee risk adjustment mechanism. This provision arbitrarily and automatically reduces Medicare payments by 5 percent for all new managed care enrollees—regardless of their age or health status—in their first year of enrollment. I have serious concerns about the implications of this proposal. How are we supposed to promote competition within the Medicare Program if we begin by saying that everyone who leaves the fee-for-service system will be subject to a 5 percent penalty? This new enrollee tax will limit beneficiary choice by discouraging health plans from entering markets in which seniors do not have private health plan options at this time. Everyone in this chamber should be deeply alarmed by this misguided provision.

Having given this Medicare payment proposal an honest and thoughtful evaluation, I am convinced that we should work toward a more sensible and well-reasoned approach when this legislation is considered in the Senate-House conference committee. I want to state very clearly that I do not have a problem with the amount of Medicare savings this legislation would achieve; I just believe we have an obligation to achieve these savings in ways that do not disrupt the coverage of seniors. I urge my colleagues to join me in calling for a new approach.

AMENDMENT NO. 460

Mr. MCCAIN. Mr. President, I am proud to have offered an amendment to the budget reconciliation package which provides incentives for States with expanding access to health care coverage under the Medicaid system to devise innovative and cost effective programs. This amendment is important to any State interested in best serving the health care needs of its people.

My amendment authorizes the continuation of a State's Medicaid managed care program operating under a section 1115 waiver. States would have the option of requesting an automatic extension of their waiver program for 3 years or permanently continuing their waiver managed care program if it has successfully operated for at least 5 years and has demonstrated an ability to successfully contain costs and provide access to health care.

In addition, this amendment allows these same States to utilize their own resources to revise their programs and expand coverage, while reducing both State and Federal costs.

The amendment will assist States in expanding health care coverage to their most vulnerable populations. This is something Congress has spent a great deal of time talking about during this session of Congress in terms of